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Economic Systems in Africa

Michael Kevane
Santa Clara University, mkevane@scu.edu

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RALPH A. AUSTEN

ECONOMIC SYSTEMS. An enormous variety of experiences and possibilities characterized African economic systems at the beginning of the twenty-first century. Small village communities continued to till the soil and raise goats, sheep, cows, and chickens using the same techniques of their grandfathers, renewing all the while traditions of social solidarity and hospitality that have characterized rural Africa for centuries. Overhead, however, multinational corporations owned and operated by African nationals organized transcontinental air travel, microwave and satellite transmissions, and cell phone networks. Africa globalized with the rest of the world, though in different ways. Exports of goods and services stagnated even as migration generated new diaspora communities (often illegal as Europe and the United States erected obstacles to legal migration). Imports of new technologies failed to surprise jaded villagers who realized that MP3 files had already replaced their still-fresh compact disc collections.

International assistance networks, for provision of services from health care to peace keeping, became important institutions in most countries. Some countries collapsed in civil war, while others continued to build asphalt highways that hastened regional integration.

One generalization was pertinent and increasingly self-evident at the close of the first decade of the twenty-first century: African economic systems were intimately linked to increasingly unstable and violent mechanisms for regulating political power. The problem of ensuring political order repeatedly spilled over into the economic realm, impeding ordinary persons from earning a living and bringing investments to fruition.

The seriousness of the problem of political order was manifest in the sheer number of violent civil conflicts in Africa. About half of the countries in sub-Saharan Africa experienced at least one year of civil war after 1980, and more often experienced sustained civil conflicts that lasted many years, even decades. These included Angola, Burundi, Chad, Congo (Kinshasa and Brazzaville), Côte d'Ivoire, Eritrea, Ethiopia, Guinea-Bissau, Liberia, Mozambique, Namibia, Rwanda, Senegal, Sierra Leone, Somalia, South Africa, Sudan, Uganda, and Zimbabwe. Sudan, for example, saw civil war in the south from 1983 to 2005, and also war in the western region of Darfur at low intensity over much of the period and then catastrophically violent in the period from 2003 to 2007, spilling over into Chad and Central African Republic. The Democratic Republic of the Congo, formerly Zaire, saw civil war, including incursions by numerous neighboring states, over the decade from 1994 to 2004. Somalia saw warlord rule and conflict even within Mogadishu, the capital city and largest urban area of the country, for the period from 1991 to 2005. Rwanda saw a genocidal slaughter of perhaps 800,000 persons in six months in 1994. Côte d'Ivoire experienced a brief, year-long spasm of violence in 2002 that resulted in partition of the country, with the north ruled by rebel forces.

Civil conflicts significantly hampered the viability of formal, large-scale organization of economic activity. The mid-sized city of Bouaké, in Côte d'Ivoire, was largely abandoned in the civil war of 2003. Freetown, the capital of Liberia, was invaded by Rwandan Patriotic Front (RPF) forces during the height of the conflict. Southern Sudan saw virtually no building for twenty years, as northern military forces repeatedly bombed southern infrastructure including schools and hospitals. Civil conflicts also generated large numbers of internally displaced persons. These internal and external refugees grew increasingly reliant on an international system of aid delivery, that itself became an integral component of many economic systems across the continent. Observers coined or resuscitated terms to describe these economies characterized by violent and dysfunctional polities: warlord economies; collapsed or failed states; aid-dependant states; and refugee economies. Understanding the systems that regulated economic life for ordinary persons in these economies involved investigation of blood diamonds, transnational arms flows, money laundering, compassion fatigue, and the political economy of international military intervention and nonintervention.

Political processes were not always the bane of economic development in Africa. At independence in the 1960s, much hope rested on state-directed transformation and investment. The colonial powers had imposed economic systems designed to provide raw materials and profits to favored enterprises, whether colonial planters, processors, trading firms, or small manufacturers. Cotton, cocoa, and coffee in West Africa were the clearest examples; African producers were at the bottom of a colonially controlled commodity chain. In temperate zones, such as Kenya and South Africa, the exploitation of tea plantations and mining operations was directed by white settlers. Populations were displaced and regulated to serve the colonial enterprises. In colonies without high-value export crops or mineral resources, agricultural commodities were produced by small farmers using few purchased inputs. Farmers were taxed indirectly by monopolies that distributed desirable consumer goods (such as soap, sugar, radios, and bicycles).

These economies were to be transformed after independence through heavy state involvement in economic activity. Agriculture in particular was targeted, as well as industrial processing of agricultural commodities. Sudan, for example, launched Operation Breadbasket, an ambitious complex of agricultural investments intended to open and mechanize the vast and underutilized clay plains of central Sudan. Tanzania, likewise, collectivized scattered hamlets and resettled villagers in larger centers, and sought to mechanize large agricultural areas. Many countries passed agrarian reform laws declaring all land property of the state. Other sectors were similarly transformed. Mines were nationalized, and petroleum revenues appropriated by the state, for the benefit of the people. Governments launched development banks to finance state-controlled industries and services. In some countries, revolutionary leaders inspired by socialism and allied with the Soviet Union proposed far-reaching transformations.However, overall, implementation of state-led development was similar across the continent, if only because the capacity of newly independent states to project their project across the national territory was limited.

The intellectual justifications and political economy explanations of these programs were twofold. First, political elites in newly independent regimes felt that peasant farming and a small colonially oriented bourgeoisie would neither modernize nor invest quickly enough to generate a large surplus that could fuel rapid industrialization and pay for expensive urban infrastructure. Second, the new elites that inherited colonial power had seen how the state could be used to generate economic advantage by "clients" of the "patrons" holding state office. The precarious political position of the postindependence governing classes impelled them to attempt to extract and control as much advantage as possible from the power of the state.

The transforming project of many postindependence elites succeeded in only a handful of countries. Botswana was the clear star performer, with gross domestic product (GDP) per person growing by 6 percent annually over the period from 1980 to 2004. Literacy rates for youth improved from an already high level of 70 percent in 1980 to 90 percent in 2005. (Literacy for youth in Burkina Faso, by contrast, barely reached 20 percent.) Hundreds of miles of road infrastructure were built, most notably the trans-Kalahari highway. This growth occurred even as the HIV/AIDS epidemic lowered life expectancy to thirty-five years and resulted in more than 60,000 orphans by 2005. The government moved aggressively to combat the epidemic and its effects, committing to education, women's empowerment, and free distribution of anti-retroviral therapy for HIV-positive persons.

Post-apartheid, the African National Congress government of South Africa likewise revealed itself to be a prudent manager of the national economy, pursuing cautious policies during the decade after 1994 despite the temptations of retaliatory nationalization following the peaceful transition to majority rule. GDP per capita remained steady in this period fraught with tension. One policy that contributed strongly to social peace and the sense of commitment to the continuity of the South African state and its economic institutions was the extension of state pensions to the black population following the transition. The resulting transfer of purchasing power to the elderly empowered key persons in society and benefited the health and schooling of their grandchildren.

For most African countries, however, the increasingly state-centric economic systems that emerged after independence proved fragile in the face of global economic shocks of the 1970s and 1980s. Oil prices rose following OPEC's cartelization of the market. Interest rates on foreign loans rose in response to the global recession, collapse of the Bretton Woods system of fixed exchange rates, and Latin American debt crisis. Shaky political regimes became beholden to international lending authorities such as the International Monetary Fund and the World Bank, which diagnosed state intervention as the problem, and conditioned further lending during the 1980s and 1990s on state disengagement. The famous Structural Adjustment Programs (SAPs) of the period proved disastrous, as multilateral lenders failed to realize, at best, the precarious political equilibria of most countries, or, at worst, were complicit in the massive corruption that exacerbated the economic woes of the countries under their surveillance.

African economies saw declines in many measures of well-being, over the quarter century from 1980 to 2004. Life expectancy at birth remained below fifty years, and declined in numerous countries in southern Africa largely due to the HIV/AIDS epidemic (which may have been preventable through effective public action) and little progress in reducing deaths attributable to diarrhea, malaria, and tuberculosis. By 2004, most countries had only about one-half of births attended by skilled health personnel, and consequently infant and maternal mortality were very high. Gross national income (GNI), the value of goods and services produced by nationals of a country in a year, declined for almost half of African countries from 1960 to 2000, when measured in inflation adjusted dollars and on a per-person basis.

By the 1990s there was no longer a single African experience. Three groups of countries could be distinguished.

The first included those countries that experienced modest growth without civil conflict, after the 1980s. These included countries that emerged from the downturns and political instability of the 1980s with more open political systems and economic stability, with states pursuing more modest interventions in the economic sphere. Such was the case for a number of West African states, including Burkina Faso, Ghana, Mali, and Senegal. Mozambique, Uganda, and Rwanda likewise returned to a semblance of tenuous normalcy following the conflicts of the 1980s and 1990s. Many countries in southern Africa likewise remained politically stable and saw modest economic development, even as the HIV/AIDS pandemic devastated the quality of life.

A second group included the oil exporters, both old and new, that continued to experience grave difficulties in integrating the wealth from oil exports into a dynamic economy; they were afflicted by the "natural resource curse." Many saw large increases in GDP, though the equitable distribution of oil revenues typically remained scandalously deficient. Equatorial Guinea was the prime example: GDP grew fantastically from 1995 to 2005 as oil companies invested billions of dollars to exploit offshore fields, but the ordinary citizen benefited little from the growth. Corruption grew exponentially. Riggs Bank, a prominent Washington, D.C., bank, was fined $25 million by U.S. regulators for collusion with government officials in Equatorial Guinea, including the president, to steal hundreds of millions of dollars of public money. Similar situations were apparent in two other new oil exporters, Chad and Sudan. Sudan began exporting oil in 1999, but the unwillingness of the ruling elite to share the benefits of oil revenues led to uprisings and horrific retaliation by government militias in the marginalized region of Darfur. The Darfur crisis spilled over to Chad and rebel groups threatened the military regime of

Idriss Déby, who abnegated on promises to use oil revenues for antipoverty programs.

Finally, Africa's largest oil exporter and most populous country, Nigeria, teetered for decades between extremely corrupt military rule and disordered informalization of economic activity. The Nigerian oil economy, insulated from local politics in most countries, became fully politicized, with local militia groups organizing armed takeovers of drilling platforms in desperate bids to secure promised community development funds. Elections set for 2007 were the major hope for a return to political stability and transparent governance.

A third group included those countries that remained mired in political crisis, with consequent economic retrogression. These included Guinea, Liberia, Sierra Leone, Côte d'Ivoire, Somalia, Ethiopia, and Eritrea. Fiscal and monetary policy sometimes exhibited stunning breakdowns, most starkly in the case of Zimbabwe, where inflation topped 1,000 percent per year in 2006, and formal sector activity ground to a halt.

There was also considerable variety across economic sectors and systems. The majority of people in Africa continued to derive most of their livelihood from the agricultural sector. Agriculture accounted for only about 20 percent of value added in the region, but 60 percent of the population resided in rural areas. Technical change and new crop varieties transformed some agricultural regions, even as agriculture overall stagnated with the breakdown of marketing infrastructure that accompanied state collapse and civil conflict. In West Africa, peasant farmers proved adept at transforming agricultural practices: pineapple exports grew rapidly in Ghana; cotton farmers continued to earn substantial income, even as U.S. and European Union production subsidies negatively impacted world prices for cotton; shea butter, largely collected and processed by women, became a major export for use in creams and lotions.

In East Africa, the cut flower industry grew rapidly, serving the European market. In Central Africa, new varieties of cassava spread throughout the region, leading to increased yields and less production risk. But there were also agricultural failures on the continent. Zimbabwe's botched takeover and redistribution of commercial white farmers led to a 30 percent drop in agricultural output from 2000 to 2005. Farmers in Burkina Faso had initial successes exporting green beans to Europe, but undependable air cargo services and more complex food regulations in the European Union led to stagnation in the sector.

Agriculture depends heavily on systems of rural land tenure, and these were in continuous flux across the continent. After the state arrogated to itself ultimate title over land, it became apparent that most states had neither the capacity nor the restraint to encourage efficient use of land and fairly resolve disputes. Communal and traditional tenure systems continued to thrive, even as farmers increasingly came to understand their rights to particular plots of land as private rights. In the 1990s, partly at the behest of international donors, states began experimenting with decentralization and communalization of land tenure, with varying effects and experiences across the continent.

Telecommunication services saw stunning growth across the continent as cell phone licenses were granted to private entrepreneurs, and as Internet cybercafés responded to a large demand for connectivity. Mobile phones began penetrating rural areas, where a significant minority of the population derived large benefit from the ability to coordinate or save face-to-face meetings. By 2005 approximately 10 percent of the population was using mobile phone services.

African economies, with the exception of South Africa, continued with small and inefficient industrial sectors despite the investments of the postindependence decades, and these largely stagnated during the 1980 to 2005 period. Bottling plants, industrial tanneries, soap manufacturing, and plastics facilities operated at extremely low levels of capacity and efficiency. Investment in new equipment generally yielded low returns, and many multinational manufacturing concerns shuttered or sold their African operations. Instead, informal workshops became the modest growth engines of urban agglomerations, recycling metal and wood for small-scale production and construction.

Systems of corruption in public office became the focus of considerable attention during the 1990s. The World Bank and other international organizations made good governance a central plank in lending and assistance to the continent, and conducted extensive research documenting and analyzing the strong link between corruption and poor economic performance. Corruption audits, for example, revealed tremendous misallocation of public funds for schooling and antipoverty funds. In Uganda, an audit estimated that only 13 percent of the funds allocated for schools reached the intended recipients; the remaining funds could not be properly accounted for. Audits in Ghana, Tanzania, and Zambia likewise found that more than 50 percent of allocations disappeared.

International prioritizing of good governance led regimes across the continent to at least pay lip service to new standards of transparency and accountability. There were, however, few cases of successful anticorruption efforts. Corruption scandals rocked the Daniel arap Moi government of Kenya, and the Mwai Kibaki government that succeeded Moi ostensibly carried the election because of an anticorruption platform. Kibaki's anticorruption czar, John Githongo, released a report detailing the corrupt activities of government ministers. The report read like a primer on state corruption, named names, and provided documentary evidence. But Githongo was rebuffed by the president and subsequently sought asylum in the United Kingdom. In Nigeria, transition from the corrupt military leader Sani Abacha to the elected President Olesegun Obasonjo was likewise accompanied by a perception of Obasonjo as a corruption fighter. After five years of rule most observers felt Obasonjo had not been able to deflect the state from its corrupt ways. The anticorruption organization Transparency International continued to rank African countries at the bottom of their corruption index. Only Botswana, South Africa, and Namibia scored in the top one-third of countries around the globe, and Ghana and Burkina Faso were the only other African countries in the top 100.

There was also variation across the continent in women's place in economic systems. Women in many regions of the continent continued to be denied rights to self-ownership in both national and local juridical settings. The rights of women in family law, especially in inheritance of assets, remained as brakes on women's abilities to invest and profit from their entrepreneurial talents, even as they were a major source of poorly remunerated farm and household labor. But progressive policies toward women in Botswana and South Africa, and continued prominence of women entrepreneurs in West Africa, pointed the way for unleashing a largely untapped potential.

The beginning of the twenty-first century saw three major incipient changes likely to significantly affect African economic systems. First, as China and India developed, the scale economies from urban agglomerations in those countries (concentrations of skilled labor, second-hand factory equipment, deep knowledge bases of financial intermediaries) meant that prices of their exported industrial products continued to decline. African economies were likely to face continued difficulties in developing industrial sectors. The opportunity to import consumer goods at low prices, however, would generate significant benefits and increases in real income for the average African consumer. Also, the rapid economic development in China and India meant that entrepreneurs in those countries were increasingly seeking foreign investment opportunities in Africa. Indeed, by 2005 there was considerable evidence that Indian and Chinese diaspora networks and multinational corporations were expanding rapidly in Africa.

Second, trade liberalization offered significant opportunities across the continent. The United States encouraged textile growth through its Africa Growth and Opportunity Act (AGOA). The ending of the Multi-Fiber Agreement, the international quota system for textiles, while initially favoring China, would eventually come to favor African producers. The World Trade Organization sponsored global talks to liberalize trade in agricultural commodities, known as the Doha Round, which held the potential to end the harmful subsidies and protectionist policies of the United States and Europe.

Third, Africans themselves had been migrating out of the region in accelerating numbers, and new immigrant communities in Europe and North America were generating large remittance flows back to the region. Money transfer firms such as Western Union and Moneygram expanded throughout the region. The diasporas were also creating a new generation of Africans of dual nationalities, educational backgrounds, and outlooks. This new generation was likely to significantly globalize African economies, in positive ways, though there remained the danger that the "brain drain" could reinforce the cycle of political instability and economic stagnation seen in many countries.

The three new constituencies—new investors from China and India, exporters operating in a more liberalized global marketplace, and African diaspora communities— together had the potential in many countries to reverse the downward political-economic spiral, and reinforce in other countries the process of consolidating equitable economic growth.

See also **Agriculture; Brazzaville; Déby Itno, Idriss; Disease: HIV/AIDS, Social and Political Aspects; Economic History; Globalization; International Monetary Fund; Kibaki, Mwai; Kinshasha; Labor; Moi, Daniel arap; Obasanjo, Olusegun; Sudan: Wars; Poverty; Women: Women and the Law; World Bank.**

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MICHAEL KEVANE

ECONOMICS AND THE STUDY OF AFRICA.

At the time most African countries became independent, Africa was not seen by economists as particularly different from other parts of the developing world. In fact, many thought it was at an advantage, often enjoying levels of gross domestic product (GDP) per head quite a bit higher than those recorded for, say, India or China. Moreover, most of Africa had inherited from colonization institutions and infrastructure thought to be prerequisite for growth. The prognosis for Africa was thus fairly optimistic and, until the mid-1970s when African growth faltered, it seemed in agreement with the facts.

Consequently, the early period of economic research on Africa is characterized by concerns about how to manage rapid growth and the structural transformation of African economies that was to ensue. The focus was on absorptive capacity (could Africa absorb all the foreign investment?), structural transformation (how to ensure that workers and entrepreneurs had the qualifications required to switch from traditional to modern sectors and modes of production), and urbanization (how to generate the revenue necessary to provide the infrastructure and social services required by a rapidly growing urban population).

During this period most of the emphasis was on macro and sectoral issues. This body of research is perhaps best exemplified by the 1986 work of Hollis Chenery and his team at the World Bank. According to the Keynesian policy views of the time, the state was expected—and encouraged—to take a proactive role in the economy. The rapid Africanization of the public sector was seen as normal and the nationalization of many sectors of the economy as potentially beneficial.

In the shadow of the dominant macroeconomic discourse, a strong tradition of fieldwork-based microeconomic research was also taking roots in the continent. Although economic fieldwork resembles anthropology in many respects and has often borrowed ideas and methods from it, the emphasis on surveys and statistical analysis is inherited from agricultural economics. During this period much of the microeconomic work in Africa was indeed undertaken by economists seeking to understand agricultural markets and technology adoption. The behavior of African farmers was understood as rational but severely constrained by poverty, ignorance, and missing markets.

These efforts were to have a long-lasting influence on economics, not only on methods— the heavy emphasis on the collection of survey data has become a distinguishing feature of development economics everywhere—but also on economic thought. Early theorizing on the behavior of farming households led to subsequent applications to home production and intra-household welfare allocation and developed and developing economies alike. Gary S. Becker was particularly influential in expanding the domain of economics